

A STRATEGIC ANALYSIS AND REORGANIZATIONAL
APPROACH DUE TO THE
CHANGING MARKET CONDITIONS
FOR BIOTEK MEDIKAL

MBA THESIS

BY
MERT AYGEN
JUNE 1998

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FOR BIOTEK MEDIKAL**

**A THESIS
SUBMITTED TO
THE DEPARTMENT OF MANAGEMENT AND
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IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION**

**BY
MERT AYGEN**

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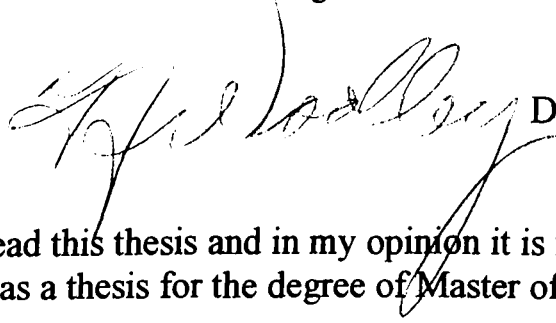
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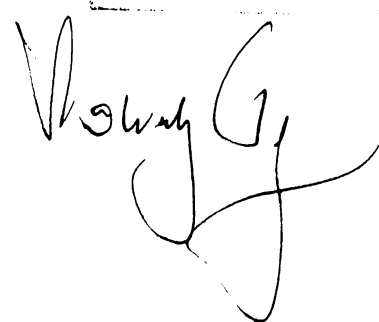
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Dr. Fred Woolley

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Yrd. Doc. Zeynep Onder


Approved for the graduate school of business administration


Prof.

ABSTRACT

A STRATEGIC ANALYSIS AND REORGANIZATIONAL APPROACH DUE TO THE CHANGING MARKET CONDITIONS FOR BIOTEK MEDIKAL

MERT AYGEN

M.B.A. THESIS

SUPERVISOR: FRED WOOLLEY

Biotek Medikal is operating in the service industry since 1986. It became a leading firm in importing and selling bio-medical instruments and disposables (single use); particularly for cardiovascular surgery (CVS) and cardiology.(CRD)

In 1989, due to sales expansion, need for assistance in sales activities forced the company to expand the existing sales force. Branch offices in Istanbul and Izmir were opened in that period. Until then, service to other parts of Turkey has been handled from the Ankara office.

In 1990, a drop was recorded in sales. Unplanned expansion, lack of coordination in sales, the general manager's concentration on administrative issues rather than sales were the major causes of the drop in sales that year. The Gulf Crisis made the situation even worse by delays in shipments from suppliers and changing policies in payment schedules by reimbursement agencies. When the crisis started, the Health Budget funds were transferred to probable emergency cases in the Southeast. For the first time, Biotek experienced serious payment problems with its suppliers due to late collection of its receivables .

The biggest devaluation in the republic's history in April 1994 led to a further crisis in the medical sector due to import dominant structure. Shortly after this devaluation all health care reimbursement entities ran into financing problems which had an impact on local distributors and suppliers as well. This was a fast growing market and most of the other competing firms were also enjoying the market conditions before the reshaping of the relations of hospitals with reimbursement agencies.

Biotek is now facing the challenge of organizing its structure to adapt to the rapid growth of the firm and the changes in the industry. In addition, Biotek has to struggle with the government regulations dictating the policy change in payments of the state owned enterprises.

In terms of the basic elements of the strategic management process, the thesis focuses only on *environmental scanning* and *strategy formulation*. *Reference 1*

In the environmental scanning, the thesis analyses the opportunities and threats that Biotek Medikal faces in the medikal market. Here the task environment of Biotek Medikal is clarified by reference to the bargaining power of buyers and suppliers and the competition among the competitors.

The environmental scanning analysis also addresses the internal environment of Biotek Medikal in which the strengths and weaknesses of the company and its competitors are examined through technical capacities, human resources, market relations etc. *Reference 2*

Based on the findings of the earlier chapters, the final chapter tries to formulate strategies for Biotek Medikal designed to improve the competitive position of the company's products within the medical disposable market.

Here particularly the following points are questioned; Should Biotek compete on the basis of low cost or should it differentiate its products on some basis other than cost such as focusing on the most profitable product lines or, if present, finding market niches. *Reference 3*

In conclusion different alternative strategy formulations are evaluated in terms of Porter's competitive strategy i.e., cost focus, cost leadership. *Reference 4*

ÖZET

DEĞİŞEN PAZAR ŞARTLARINA GÖRE BİOTEK MEDİKAL İÇİN STRATEJİK ANALİZ VE RE-ORGANİZASYONEL YAKLAŞIM

MERT AYGEN

M.B.A Tezi

Tez Yöneticisi: Dr. Fred Woolley

Biotek Medikal 1986 yılından beri medikal sarf malzeme satışı ve servis sektöründe çalışmaktadır. Şirket Kardiyoloji ve Kalp-Damar cerrahisinde önemli satış hacimlerine ulaşmıştır. İthalatçı bir firma olan Biotek Medikal, alanında satışta lider şirketlerden biri olmuştur.

Biotek'in hayatının incelenmesi sırasında bazı önemli aşamalar mevcuttur. Bunlardan biri 1989 yılında İstanbul ve İzmir şubelerinin açılmasıdır. Daha sonra ortaya çıkan "körfez

krizi" ise bütün Türkiye'yi olduđu gibi medikal sektörü de önemli ölçüde olumsuz etkilemiştir.

Otramdaki en son değışiklik ise Nisan 1994 deki Cumhuriyet tarihinin en büyük devaluasyonu ile olmuştur. Bu devaluasyon, tüm sosyal güvenlik organizasyonlarının ve devlet hastanelerinin, finansal problemlerine çözüm bulabilmek amacıyla yeniden yapılanmalarını gerektirmiştir.

BioteK şimdi hızlı gelişmiş yapısını sektördeki değışikliklere adapte edebilme ikilemi ile karşı karşıyadır. Buna ek olarak, BioteK sağlık harcamaları ve ödemeler konusundaki yeni hükümet kanunları ve politikaları ile de mücadele etmek zorundadır

Bu tez, BioteK'in dğışen bu pazar ortamı koşulları karşısında stratejik olarak nasıl bir politika izlemesi konusunda alternatifler getirerek öneriler sunmaktadır.

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CHAPTER I. INTRODUCTION

Medical device and consumables sector is one of the emerging sectors in Turkey. It is observed that the high rate of population growth in Turkey is calling for increased number of hospitals, surgeries and therapies attended.

Biotek Medikal is operating in a segment where costs are high and new product turnovers are above the whole industry.

Medical disposable business has its advantages and disadvantages mostly raised by government approach to health care in terms of financing or ignoring

This study presents an overview of how Biotek is re-organizing its structure and strategies for the challenges it has been facing the last couple of years and will face in the future.

Biotek is operating in four major market segments: Oxygenator (Terumo), pacemaker (Intermedics), PTCA (Percutaneous Transluminal Coronary Angioplasty - ACS), and heart valves (ATS). In a typical invoice, an item from one of these segments is accompanied with several accessories or complementary goods. There are other minor products, such as blood filters, surgical drapes and gowns, blood transfusion sets and grafts, which are either recently introduced to the markets or have low sales figures. Trend in these days is towards buying these products by sealed public tenders.

In 1994 Biotek Medikal accounted for **30%** market share in Oxygenator, **10%** in pacemaker, **25%** in PTCA and **8%** for heart valves. Ignoring all accessories and complementary products sold together with the leading item of each segment, the four main products alone accounted for **60%** of all Biotek Medikal sales (**17%** for Oxygenator, **16%** for pacemaker, **20%** for PTCA, and **7%** for heart valves).

PRODUCT	SUPPLIER	MARKET SHARE	PERCENT OF SALES	DESCRIPTION
Oxygenator	Terumo	30%	17%	Artificial lung
Pacemaker	Intermedics	10%	16%	Device to support heart
PTCA catheter	ACS/Guidant	25%	20%	Balloon dilatation device for arteries
Heart valve	ATS	8%	7%	Artificial heart valve

Table 1 Products and Suppliers

CHAPTER II. GENERAL MARKET OVERVIEW

2.1. CLIENTS AND THE MARKETING ACTIVITIES

Before an organization can begin to formulate strategy, management must scan the external environment to identify possible opportunities and threats. Environmental scanning is the monitoring, evaluating and disseminating of information from the external environment to key people within the corporation. It is a management tool for avoiding strategic surprise and ensuring the firm's long term health. Research has identified a positive relationship between environmental scanning and profits. *Reference 1*

The major clients of the company are doctors and surgeons in hospitals. Unfortunately, these clients who do not pay for the products since they have no legal obligation to the payer (SSK, Emekli Sandigi, private insurance companies, and non-insured patients). They are free to write any prescription they like.

A lot of small firms are entering medical disposable business with the hope of establishing good relationships with a hospital. It is important to note that persuading the key doctors in a hospital may be enough to generate sufficient cash for a firm to survive and even to achieve an advantageous position in the market in general. Therefore, the market shares differ for each product and market positions are continuously under attack. Thus, every

firm must do its best to convince the doctors in hospitals in order to sustain the competitive advantages possessed. This involves all kinds of promotion activities. For instance, one of the competitors even hired additional staff to serve the key doctors in their extra mural activities. Another frequently used promotion is the provision of medical journals and the arrangements for the attendance to the relevant congresses and seminars both domestic and international . Actually, these efforts are essential to develop the market.

Sales promotion and personal selling are the primary marketing activities. A direct contact is made with doctors in the introductory stage. Prospects are first visited by the sales engineers. When a solid relationship is formed with the doctor and the sales representative, the president or the top manager of the company is asked to join a visit. It is particularly important in the industry to have top management support in promotion and/or closing the deal.

In big hospitals like TYIH, Hacettepe, and Kosuyolu where heart surgeries have old histories, doctors are very experienced. They have relationships with particular distributors, and tight bonds were formed long ago. Switching a doctor from one distributor to an other requires patience, time, and continuous follow-up for a company.

In order to "tie" doctors, they are periodically visited, products are emphasized, and relations are deepened. For a successful sales person, increasing social relationships with a doctor is also important. Joining a meal or a drink, arranging a football game, or simply a friendly chat may have considerable effects in the overall result.

In most hospitals the head of the department usually gives the ultimate decision on which products to be purchased and used. The companies need approval or support of the key doctor to be confident for their success. When it is impossible to "tie" the key person of the department, companies go for junior doctors who will eventually replace the top man. This practice promises long term results, and only works out if the target doctor(s) reach a powerful position in the hospital.

For doctors who do not have experience with the operations, companies have to take a teaching and guiding role. Since the hospitals where few operations are held are small markets, it is easier to access the key doctors.

2.2. SIGNIFICANT CHANGES IN THE MARKET

Possibly no one in the sector could foresee the detrimental effects of the biggest devaluation which took place in April 1994. Shot was around 40% overnight but together with ongoing daily adjustment of foreign currencies, exchange rate has increased by 149% for USD / TL parity at the end of 1994. This has put enormous burden on account

payables for Biotek since all collectibles were in TL where as debts are in foreign currency. The situation was painful since company was caught to this crisis with a large sum of receivables outstanding in local currency and almost a few inventory items.

Health care reimbursement agents like SSK and pension fund formulated “package deals” with hospitals for cardiac diseases dictating unrealistic charges to be allowed. All these have created enough turmoil to be faced by companies in this market segment.

Besides is a comparison of “package deal” prices in respective global markets.

	TURKEY	USA
Open Heart Surgery	\$4.000	\$30.000
PTCA	\$1.700	\$18.000
Pacemaker	\$4.000	\$20.000

Table 2 Cost of cardiac interventions

Besides, the retiring age in Turkey is lower than European standards (men work for 25 years, women work for 20 years to retire). The ratio of working people to retirees is nearly 2:1 in Turkey compared to about 6:1 in Europe. Consequently, the payments from workers to SKK are not sufficient enough to cover health and salary expenditures for workers and retirees. Furthermore SSK is not allowed by government bodies to freely

utilize its funds in their best interest. Governments, in the last two decades has used up all cash funds or rent incomes of SSK for financing other obligations and hence caused these funds diminish in time and purchasing power of these savings has lost substantial value. All these factors above make it difficult for SSK to manage its cash effectively and profitably. Hence, debts cannot be paid in a timely manner, this causes trouble to companies which directly or indirectly interact with SSK.

With its considerable market shares, Biotek is not able to escape from encountering the problem of the whole industry. Company records showed that 18% of the total receivables in April 1994 were direct invoices to SSK, and a further 52% were invoices to hospitals (other than SSK hospitals) for patients insured by SSK.

With Biotek Medikal's effort, the firms in this industry gathered in May 1994, so that they would take a common action against the situation faced. They declared a consent decree not to supply any material to SSK without any cash or 30 days payment terms. This meeting would serve for the benefits of the industry if the conditions were fully satisfied, but the violation of the agreed actions by a few competitors resulted in the failure of this effort. One of our main competitors, Biçakçılar is also a manufacturing company producing low-tech items and employs ordinary workers (about 240) to continue production. Besides, their portfolio is much broader than other competitors. They claimed that this policy would result in big problems with their workers and production costs.

Therefore, they started the delivery again breaking up the agreement. Medistar followed Bıçakçılar, and so the others did. Now, the increased distrust among the competitors leaves each firm alone in dealing with the problems. The disappointment and distrust are reflected in current strategies of Biotek Medikal, too. The company prefers to live with the financial problems until when a more healthy industry structure is achieved.

These financial difficulties are expected to serve as a barrier to entry for this industry so that a few larger competitors will sustain their market positions in a more preferable industry structure. Biotek will make use of its own strong credibility advantage and its relatively strong market position for the survival in these difficult days. But management is aware of the fact that if the situation would not be corrected in a reasonable time period, company may also suffer from the friction with its suppliers.

CHAPTER III. INDUSTRY ANALYSIS

3.1. ATTRACTIVENESS OF THE INDUSTRY

In scanning its industry a corporation must assess the importance of the following six forces to its success: threat of new entrants, rivalry among existing firms, threat of substitute products, bargaining power of buyers, bargaining power of suppliers, and relative power of stake holders. *Reference 6*

The industry is attractive because of the rapid growth rate in the CVS and CRD operations. On the basis of Western statistics, 60,000 open-heart surgeries per year should be conducted in Turkey. In 1995, total CVS operations added up to a total of 14,532, and angioplasties (cardiology) to 4,600. The balance in the United States is changing in the favor of angioplasties. In 1992, for the first time in history, total number of angioplasty cases exceeded the number of open-heart surgeries in USA.

Below is a comparison of number of treatments per million inhabitants in Turkey and USA.

	TURKEY	USA
Open Heart Surgery	250	625
PTCA	114	664
Pacemaker	20	138

Table 3 Comparison of intervention distribution

This table suggests that there is still a big gap between the potential and what we are being able to address currently in Turkey. It is hoped that with the development of the country as a whole these figures like in USA would be attained and business would be more justifying for those involved.

Increasing knowledge in CVS and CRD, founding of new private hospitals, and increasing health insurance services affect attractiveness of this medical sector positively day-to-day. Among the specialties of medical care, cardiology is the most demanded for skill and expertise since failure of therapies may result with loss of lives of patients which may not be case for most other medical divisions. One should also keep in mind that besides the high risk of the patient group and the treatments itself, Turkish law system does not cover for any mal-practice issue or similar. Therefore, hospital deaths

or morbidities caused by mistreatments go unnoticed and no enforcement by legal actions are possible. This, of course, makes industry attractive as well since it is relatively high margin speciality of medical care compared to other disciplines.

On the other hand, there are high entry barriers to this industry:

There exist economies of scale as the promotion costs per unit decreases by the increasing volume of sales. There is no significant competitive advantage for a new entrant due to product differentiation because all of the existing products offer similar benefits and have satisfactory quality. Capital requirements are not as high as manufacturing industries. Depending on the market, there may be a need to build inventories as in the PTCA market. Since personal relationships are an essential part of the operations, a new entrant has to establish contacts with the doctors and surgeons, which may demand a high start-up promotional budget. New entrants should also be ready to challenge late payment character of the market.

There are also cost disadvantages independent of the size of the firm. To find a supplier may be costly for the potential entrant because most of the foreign suppliers require solid references of worldwide known and respected companies. Also, finding a strong supplier may be difficult as most of the well-known brands are already represented in Turkey.

Furthermore, the exchange rates will affect the business negatively for payments will be in foreign currencies whereas the sales will be in TL.

The most critical barrier to entry is the government policy. The import tariffs are regulated by the government, which directly influence the material costs. Budgets of some of the hospitals are determined by the Ministry of Health, which is related with the total expenditures the hospital can make in a certain fiscal year. Finally, SSK's payment schedule is supported by the government although this should not be the case in real life. Therefore, the potential entrant's cash generation is affected by the government policy.

3.2. BARGAINING POWER OF SUPPLIERS

Since a very few of the instruments and disposables are produced in Turkey, all companies operating in the industry have to find a foreign supplier. Many distributor firms want to be representatives of the respectable suppliers. Therefore, if the domestic distributor cannot perform satisfactorily, the supplier has the power to replace the firm with another distributor. As a result, the suppliers try to ensure their own benefits by setting annual purchase quotas, putting possibly minimum liabilities for themselves in the contract and short payment periods granted to the distributor since there are always numerous companies willing to do business.

If the supplier cancels the contract, the distributor may end up with high losses due to any expenses or investments already being made for the sake of future business.

All these factors show that suppliers have strong bargaining power over the distributors.

3.3. BARGAINING POWER OF BUYERS (Hospitals and doctors)

Buyers affect industry through their ability to force down prices, bargain for higher quality or more services, and play competitors against each other. A buyer, in our case the doctors and the hospitals is powerful if some of the following conditions hold.

- A buyer purchases a large proportion of the seller's product or service.
- Alternative suppliers are plentiful because the product is standard or undifferentiated.
- Changing supplier costs very little.
- A buyer earns low profits and thus is sensitive to cost and service differences.

Since the products are almost standard and satisfy the required quality level, most buyers (especially older doctors) are not product conscious. The distributor should establish good relationships with the buyers to continue business. Switching costs are low for the buyers because some of the products are dependent on the instrument which is left as consignment to the hospital and ownership still belongs to the distributor, and some others

do not require a brand-specific instrumentation. Consequently, the one who builds up good relationships with the buyers becomes the dominant distributor to the hospital; hence there is strong bargaining power of buyers. If the package deal attempt would be approved, this attitude may change since then SSK would not care of the products used in the treatment but would pay a flat fee to the hospitals. This may, of course, change the purchasing policy of the hospitals towards the cheapest offers.

3.4. COMPETITIVE RIVALRY

Competitors are numerous and roughly equal in size and power. Industry is still growing. In the light of global statistics, the expected rate of annual open-heart surgeries in Turkey should be about 60,000; however the actual rate was about 14,000 in 1995. There are two ways of increasing the capacity of hospitals; establishing private hospitals or increasing government expenditures on health. Ministry of Health budget in 1995 was 1.8% of GNP where as this figure averages 8% in OECD countries.

As stated above, there are low switching costs to buyers causing an intense competition among the firms to be the preferred distributor. The exit barriers could be high if the market segment requires an initial investment. In the short run, an unsuccessful entrant may have high losses due to the costs of the initial promotional budgets.

Rivals are diverse in origins, personalities, resources and strategies. For example, BIÇAKÇILAR is not a technical oriented company but has the advantage of being the first in the industry. It does not have to worry about promotion and technical assistance. As long as the key people "tied" by Biçakçılar stay in their positions, they will continue to be dominant in those hospitals. On the other hand, ETA is engaged in rather unethical financial activities, and tries to compensate for its high promotional budget by overpricing its materials.

Sustainable competitive advantages and the Biotek's position in the industry will outline the factors in determining its competitive strategy.

CHAPTER IV. COMPETITOR ANALYSIS

4.1. GENERAL

Michael Porter proposes two "generic competitive strategies for outperforming other corporations in a particular industry: Lower cost and differentiation. *Reference 7*

In this chapter the following dilemmas are discussed; Should Biotek compete on the basis of low cost or should it differentiate its products on some basis other than cost such as focusing on the most profitable product lines or if present, finding market niches. *Reference 8*

Research generally supports Porter's contention that a firm that fails to achieve a generic strategy is going to be stuck in the middle with no competitive advantage. *Reference 5*

Competitors enhance the ability to differentiate, since they do not provide extensive technical expertise and after sales support. Biotek provides technical assistance, and creates a value to the customers for what it has been marketing.

Competitors provide a cost umbrella. If one of them increases or decreases prices the others follow. They motivate each other. A new promotional technique or a new product is followed by all the competitors. They also help to increase the industry demand by encouraging doctors to make more surgeries and by training them and improving their knowledge. In this way they contribute to the market development and share the costs of the development.

Competition is indeed provide a second or third source to buyers. The industry is not purely dependent on a single supplier. They offer a standardized technology. To be able to survive in a health related market, the products should have a minimum acceptable quality level.

Until now, the good characteristics of the competitors were described. However, competitors are not that good from a particular firm's perspective. First, the current structure of the industry is created by most of the existing firms. Companies promoted their trade names instead of promoting what they sell in the industry. This ultimately started restricting their maneuvering capabilities since the structure became rigid, and led them to work more and more on sharpening an image. It is going to be an interesting phenomena to see if this strategy would prove useful for the case with “ flat treatment charges “ policy of SSK (package deal).

Likewise, firms competing in the same market failed in improving their bargaining positions. First, they could not overcome the payment problems originating from SSK and hospitals. They could come to an agreement only once which failed since some of the firms preferred to go for short-term benefits even without having any solid feedback from the state or SSK.

4.2. MAJOR COMPETITORS OF THE COMPANY

1- BIÇAKÇILAR

In the oxygenator market, BIÇAKÇILAR is the market leader. They offer three different brands of oxygenators, and have cost advantages since they run a factory manufacturing some of the side products like tubing sets, surgery tables, suction devices, plastic components etc. There are rumors that the company will start producing oxygenators in its Istanbul plant soon. The cost advantages that they have in many product lines have always gave them a lot of room to invest to other product lines.

It seems to be Bıçakçılar is enjoying the profits of well implementing the cost-leadership of the Porter's generic strategies

In some hospitals, Bıçakçılar operates like a single supplier, and nobody thinks of buying another brand. When Biotek sales engineers visit doctors in hospitals which are committed customers of Bicakcilar, the response they get is "We are happy with what they provide,

why should we switch?". However, Biçakçılar does not think that their position will change in the market, therefore, they are not involved in activities to expand their market share any further.

The company is owned by a family, which does not have technical background. It is one of the oldest companies in the market (founded 30 years ago). At the times when communication and import activities were limited in the country, Biçakçılar enjoyed the advantages of being the first and only. They did not worry about marketing and promotion; occasionally doctors came up with catalogues of new products and requested them to provide the materials for the hospital .

Biçakçılar's primary weakness is its unqualified sales force, and inadequate technical support. The company has extensive financial resources accumulated through the years.

2-ETA

ETA is the leader in the PTCA market. When the company was founded in 1982, the term angioplasty was unknown in the cardiology society. The first balloon was invented in the United States with a four year patent. To everyone's surprise, PTCA became one of the most important issues in cardiology quite soon. ETA was the only distributor in the Turkish PTCA market and faced no competition at the introductory period. Moreover, ETA helped the cardiologists to improve their knowledge in PTCA operations through

seminars, congresses, technical demonstrations, and assistance in the surgeries. Similar to the Bicakcilar case, there is an emotional link with the doctors and the company. Again, rather than the product, the company image is very strong.

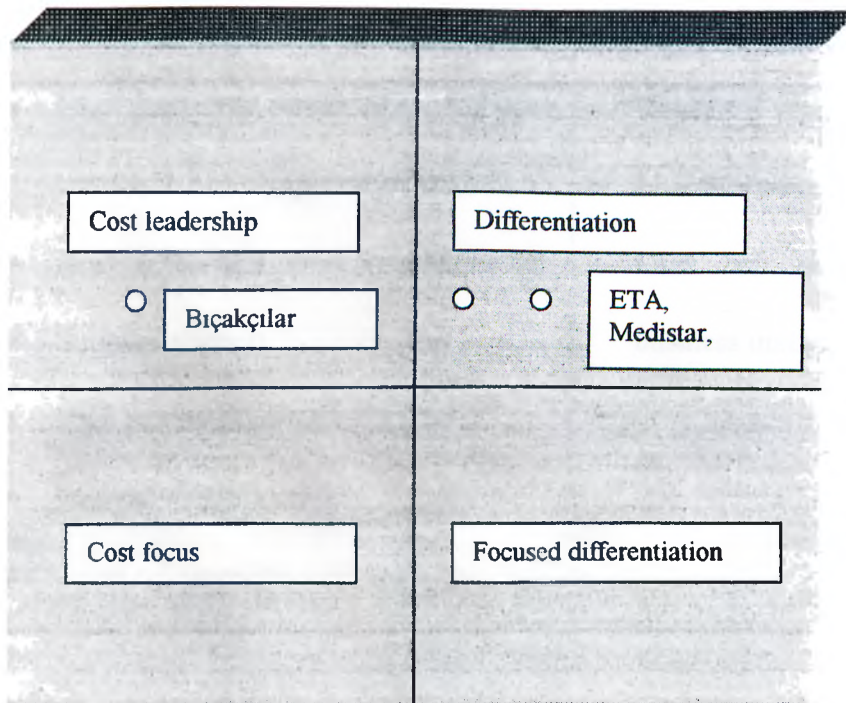
We may conclude that ETA is making a very good differentiation of Porter's generic strategies by its service and image.

ETA's promotional budget is relatively higher than its competitors. For instance, in the 50 billion PTCA market they can easily afford 3 billion for a single exhibition. This extra spending on promotion is reflected to their invoices. State financial authorities finally noticed the ongoing price strategy. In the past year, ETA was under close inspection of Ministry of Finance, and thus they have had severe financial penalties due to undeclared incomes and unpaid corporate taxes.

3- MEDISTAR

Market leader for pacemakers is MEDISTAR.. Their product is recognized as the best quality pacemaker in the world. Other than pacemakers, Medistar has a broad range of medical products they represent which indeed a big consolidated in USA.. The company is a subsidiary of a construction firm. They have therefore strong financial and training support abroad originating from their principal.

It is obvious that Medistar has already been put in the differentiation part according to Porter's generic strategies by its high tech product line of pacemakers.



Reference 3

4.3. STRENGTH & WEAKNESS ANALYSIS

1. Biotek Medikal

Strengths	Weaknesses
<ul style="list-style-type: none">• High marketing power of a good sales team which is compound of engineers.• High technical support and knowledge• Supplier support• High quality products• Innovative suppliers• Good relationships with doctors	<ul style="list-style-type: none">• Relatively young in the industry• Limited financial resources• Lack of communication between business units

2. ETA

Strengths	Weaknesses
<ul style="list-style-type: none">• Monopoly in PTCA market for several years• First firm founded by people with technical knowledge in biomedical engineering• First to encourage and train doctors in the angioplasty field• Strong promotion• Strong relations to surgeons	<ul style="list-style-type: none">• Financial problems (under strict control of Ministry of Finance for tax purposes)

3. Bicakcilar

Strengths	Weaknesses
<ul style="list-style-type: none">• Oldest in CVS market• Manufacturing facilities (cost advantage)• Diversified product line• Some surgeons are committed to the firm• Strong financial resources	<ul style="list-style-type: none">• No technical expertise• Less emphasis on marketing

4. Medistar

Strengths	Weaknesses
<ul style="list-style-type: none">• Sells the best pacemaker (Medronic)• Extensive financial support• Diversified product line	<ul style="list-style-type: none">• Weak in cities outside Istanbul.• Lack of sales organization

Sustainable competitive advantages are:

(1) A good, strong, and technically qualified sales force continuously supported by the good technical information about the improvements. Personal relations are primary determinants of success in this industry, which can only be achieved by such a sales force, since the customers are company conscious rather than being product conscious.

(2) Supplier support. Biotek does not have extra financial resources as some companies in the industry have (e.g. Bicakcilar). Certainly, there are times when a company is in the middle of a crisis and needs some sort of financial support. Biotek can communicate such situations to its suppliers and most of the times have their support as in the case of delayed payments. The support and trust of the suppliers increases the credibility and motivation of Biotek Medikal.

(3) High quality products. Even though company recognition is far ahead of product recognition it is not realistic to completely ignore the effect of a highly qualified product. For older doctors, emphasizing the advantages of a certain product is harder because they have traditional habits and attitudes toward some companies. However, the new generation doctors are more enthusiastic, and only working for the company image may not yield the desired outcomes.

Biotek should consider its sustainable competitive advantages while formulating a competitive strategy.

CHAPTER V : RECOMMENDED STRATEGY

5.1. DETERMINING A GENERIC STRATEGY FOR BIOTEK

The appropriate generic strategy for Biotek is the fit between its value chain and the industry analysis. The critical activities of the value chain indicate the sustainable competitive advantages of Biotek Medikal. These advantages are the good, strong, technically qualified sales force, supplier support and high quality products. In such an industry with intense competitive rivalry, communicating these three competitive advantages would create a high value position in the customers' minds.

This industry is related to health and human life. Therefore, the doctors would not care about the price of the products, if higher priced products would serve best for the treatment of their patients. In other words, if the decision maker is not paying the bills himself, he is more interested in the other benefits of buying a particular product. As opposed to this fact, totally ignoring the cost would be a false state of mind for a specific company. Because of the limited budgets of hospitals, decision makers are more price conscious during tenders since they can not charge such bills to patients and/or reimbursement agents. So, trying to gain a competitive advantage only on differentiation basis would not work and would not be sustainable at all.

The company authorities always state that in addition to the strong relationships with the surgeons, knowledge and technical skills in cardiology and CVS has led to the success. Before entering a new segment or broadening its market, Biotek has to consider some critical factors. Training of existing and some new sales force for the new industry segments will take a long time and will be costly to the firm. Additionally, attracting new surgeons will probably need extensive efforts. In fact, currently, sales staff is already highly engaged with such promotional activities. Additional responsibilities and investments will be a burden on Biotek and on its sales personnel.

As a result, the competitive generic strategy for Biotek should be focus differentiation while not totally ignoring the cost considerations.

5.2. IDENTIFYING ALTERNATIVES

Alternative 1:

Due to the increase in accounts receivable and financial problems (loss in exchange rates, credit purchase problems), contraction of the company could be a solution until the financial difficulties are over.

Some of the sales people could be laid off the firm, and the administration department could focus on some of the most profitable and promising products. The first obvious

advantage of such a change will be a decrease in the employee expenses in parallel with the decreasing number of employees. This suggestion will also lead to a change in the promotional expenditures. Biotek will be able to spend more for the most important doctors while decreasing the total promotion costs. The management of a smaller Biotek will be easier, so the general manager will have more time to deal with the marketing operations of the company to increase the doctor satisfaction. With the reduced volume of sales, the total amount of debt to the foreign suppliers and the losses due to foreign currency exchange rate differences until the payment date will decrease substantially.

Nevertheless, this alternative will also exhibit some unfavorable aspects. The most important shortcoming will be the loss of market share, which is achieved after many years of extensive marketing efforts. In this industry, there are many competitors, which are waiting for such opportunities to increase their market shares. It will be very difficult, or may be impossible to regain the lost market shares later on.

Employees who are laid off may initiate some rumors against the company. As a result, the image of the company may be distorted, and some suspicions may arise concerning the viability of Biotek. Consequently, a smaller Biotek is likely to lose its credibility both to the doctors and to the suppliers.

The industry already suffers from the unpayable debts and the payment process may give some priority to the largest companies with the greatest amount of receivables. In such a case, a smaller Biotek will have more difficulty in the collection of its receivables.

As the trade volume of Biotek shrinks the support of the supplier companies will be lessened in time. The costs of the imported goods will increase when they are ordered in smaller lots or the suppliers will prefer not to work with a company which can sell only a small range of offered products with lower quotas. It will not be logical to upset the current suppliers who supported Biotek in the very difficult days starting with the foundation of the company.

Alternative 2:

The second alternative to be considered is establishing different companies with minority share holding to each of the successful sales persons and the general manager, keeping at least 51% of the shares to Biotek Medikal for control and governance purposes. Biotek will be responsible only for importing the materials and delivering them to the new companies. The new companies will be specialized only in one type of market segment, i.e. one of them operating in the CRD market, other in CVS and such. To ensure the effective performance of these newly established companies, the management of the company plans to set goals and quotas to those firms.

Alternative II has several advantages. The new partners will be more motivated, because they will commit themselves more to their own firms, and they will work harder to increase the profits, so the share they will get. By the way, the owner will not be busy in managing operational problems, but will deal with business level decisions and strategies. Besides, the decision making process for each firm will be easier and faster. The information flow, data accuracy and analysis will be handled in a more reliable manner. The surgeons will have direct daily contacts with the owners or partners of the firm, hence will satisfy their egos.

However, this alternative also brings disadvantages. The sales people may have superior skills in sales, but they are inexperienced in management and it is yet unknown whether they will become successful managers or not. The surgeons want to establish their relationships with the owners, but it will take a long time to be perceived as credible and respectable owners by the surgeons. Therefore, it is not easy for Biotek Medikal to stop engaging in selling activities, until the new owners have satisfactory perceptions in the surgeons' minds, in order not to lose shares in the market. In addition to this, it should also be noted that a new firm will bring new overhead and labor expenses. The sustainable competitive advantage of the current Biotek is its effective marketing and strong sales force. When this sales force is split into different firms, employment and training of some

new qualified personnel will be required. This will be time consuming and costly, and it should be questioned carefully for feasibility.

As was noted before, most of the relationships with doctors are fixed and firmed. Therefore, expecting booms in the market share in the short run is not realistic. So, it will not make the firm better off to increase operational costs for slight increases in motivation and shares in the market. Considering the payment problems in the industry, the firms should try at least to maintain the costs at the existing level for their survival.

Alternative 3:

Since the main concern of Biotek Medikal is concentrating in cardiology and CVS, another option is to dissolve all sales force and operate through independent sub-dealers. In this case, Biotek should hold only marketing managers for CV and CRD in house to monitor and direct the sales activities of dealers but meanwhile not losing the connection with the ultimate clients.

With this model, Biotek might enjoy the luxuries of not concerning payments situation since company will deal only with predetermined credit limits with its customers (i.e. sub-dealers) tied up by collateral securities.

However, Biotek, in this case, has to sacrifice from operational margins as a wholesaler. This may give the chance of a radical shrinkage of the company in terms of size and operations.

CHAPTER VI: CONCLUSION

Best strategy for Biotek seems to be a bundle of available alternatives in a mixture such that it maximizes the return for the company. However, the key point is, of course, not to lose the control and the integrity while bundling the business units. While change is on the way, the company has to recognize that “satisfying internal demands of the company’s own organization” is crucial. Implementing this approach requires determination, dedication and willingness to change at all level, since it has to change the way the whole processes of the trade experienced in the firm so far.

Proposed action items are as follows:

Divest product group, which has relatively low operational gross margins. Those products, which are strategically important to keep up for complementary reasons, should be exempted, from this decision.

Cardiology Business: This business still requires more of a dedicated approach, day to day contacts, follow up in a continuous fashion should be made by Biotek in the form of joint venture companies in Izmir, Istanbul and Ankara. In this scenario Biotek would still

import and invoice the products to those new companies. Biotek would go on to carry the privilege of distributorship rights as usual.

Biotek should retain controlling shares in these new organizations, but offering significant shares option to general managers to make them tightly bonded to the company. Share options should be available in the form of a pool of shares determined to be outstanding for such a purpose. People would receive either bonus as cash or shares exchange based on performance criteria set for unit growth, revenue and profit targets.

Biotek should also control not only the sales but also definitely marketing channels and actions and set the ultimate goal and visions for the business.

Cardiovascular Surgery: It is the one where market has turned out to be a complete commodity. Therefore approach to this segment would be different. Since there is no rationale and room for two separate organizations to live, Biotek should go on to continue its sales and marketing efforts for this segment, with its core organization.

Expenses are expected to be reduced by 42% compared to previous year.(Exhibit 1)

Unfortunately there seems to be little certainty for Biotek managers to prepare a budget plan for a 3-5 years time span due to unreliable and unstable governments and policies in the last decade.

Investment should be made physically to better communication tools like on-line computer networks between Biotek and its sister companies. This would enable head office to help office to marketing and sales as well as for monitoring purposes.

Company should also look forward to diversify in not necessarily heavily products for cardiac diseases but in other medical disciplines too. The target group should be the one(s) where government interventions like “package deal” or “flat fee” approaches not yet applicable or difficult to apply.

It is shown that although proposed plan is reducing the head office or principle organization’s overheads by partly shifting expenses to spinned-off companies, there is a limit where company can no longer reduce expense items for healthy operations.

It is obvious that Biotek should find new avenues to increase its revenues and net profits without absolute downsizing or re-organizing the whole system.

Message and vision should be clearly communicated to all employees and the commitment of top management group should be secured towards the goal. Another key ingredient of this plan is the knowledge and information flow between the business units. “Expertise focused organizations need to be formed with small headquarter intervention and headcount to successfully adopt the system” Senior managers should devote their time for fine tuning and monitoring the whole process, as it progresses.

EXHIBITS

PTCA MARKET ANALYSIS / TURKEY
PRODUCT : ACS

CITY	HOSPITAL	#IN 94	# ACS	BY %	#IN 95	# ACS	BY %	96	ACS	BY %
ANKARA	TYIH	440	140	32%	458	103	22%	510	150	29%
	A.UNIVERSITY	410	120	29%	498	156	31%	550	135	25%
	GATA	44	8	18%	50	16	32%	60	15	25%
	ORGAN NAKLI	70	9	13%	79	18	23%	90	0	0%
	HACETTEPE	130	40	31%	166	42	25%	185	60	32%
	GAZI UNIVERSITY	64	14	22%	72	0	0%	80	15	19%
	BAYINDIR	102	28	27%	105	23	22%	120	30	25%
	SSK	135	35	26%	152	55	36%	170	25	15%
	GUVEN	0	0		0	0		0	0	
	YASAM	0	0		0	0		0	0	
ISTANBUL	KOSUYOLU	408	112	27%	427	96	22%	480	140	29%
	GOGUS CERRAHISI	368	79	21%	413	109	26%	460	110	24%
	HASEKI&FLO	480	96	20%	561	264	47%	600	130	22%
	CAPA UNIVERSITY	132	52	39%	188	21	11%	210	60	29%
	CERRAHPASA	35	5	14%	40	7	18%	50	10	20%
	GATA	93	18	19%	106	5	5%	120	30	25%
	INTL HOSP.	83	18	22%	93	38	41%	100	25	25%
IZMIR	EGE UNIV	550	102	19%	597	47	8%	700	80	11%
	9 EYLUL UNIV.	140	35	25%	151	51	34%	170	30	18%
	DEVLET	0	0		0	0		0	0	
ADANA	CUKUROVA UNIV	108	25	23%	122	32	26%	140	50	36%
	SEYHAN	0	0		0	0		80	20	25%
KAYSERİ	ERCIYES UNIV	100	40	40%	128	37	29%	140	50	36%
ANTALYA	AKDENİZ UNIV	58	10	17%	66	14	21%	70	20	29%
SAMSUN	19 MAYIS UNIV	40	14	35%	74	29	39%	80	20	25%
ESKİSEHİR	OSMANGAZI UN	146	12	8%	164	56	34%	180	60	33%
KONYA	SELÇUK UNIV	13	4	31%	15	8	53%	15	5	33%
ERZURUM	ATATÜRK UNIV	90	43	48%	97	42	43%	100	40	40%
TRABZON	KARADENİZ T.UNIV	0	0		0	0		5	2	40%
TURKEY	TOTAL	4239	1059	25%	4822	1269	26%	5465	1312	24%

PACEMAKER MARKET ANALYSIS / TURKEY
PRODUCT : INTERMEDICS

CITY	HOSPITAL	#IN 94	# INT.	BY %	#IN 95	# INT.	BY %	96	INT.	BY %
ANKARA	TYIH	58	10	17%	60	7	12%	68	12	18%
	A.UNIVERSITY	68	5	7%	73	9	12%	69	35	51%
	GATA	3	0	0%	4	0	0%	3	1	33%
	ORGAN NAKLI	10	0	0%	10	2	20%	14	2	14%
	HACETTEPE	58	4	7%	60	8	13%	53	4	8%
	GAZI UNIVERSITY	5	1	20%	5	0	0%	5	1	20%
	BAYINDIR	15	2	13%	16	2	13%	15	3	20%
	SSK	24	5	21%	24	4	17%	25	3	12%
	GUVEN	0	0		0	0		0	0	
	YASAM	0	0		0	0		0	0	
ISTANBUL	KOSUYOLU	68	9	13%	70	10	14%	65	16	25%
	GOGUS CERRAHISI	63	1	2%	71	5	7%	58	10	17%
	HASEKI&FLO	58	0	0%	63	10	16%	73	15	21%
	CAPA UNIVERSITY	39	10	26%	45	10	22%	41	18	44%
	CERRAHPASA	29	0	0%	29	3	10%	36	9	25%
	GATA	19	0	0%	22	5	23%	20	4	20%
	INT'L HOSP.	34	4	12%	31	5	16%	36	5	14%
IZMIR	EGE UNIV	39	5	13%	32	9	28%	41	6	15%
	9 EYLUL UNIV.	29	4	14%	31	5	16%	30	5	17%
	DEVLET	49	5	10%	48	8	17%	62	23	37%
ADANA	CUKUROVA UNIV	24	2	8%	22	5	23%	25	5	20%
	SEYHAN	15	2	13%	18	4	22%	15	3	20%
KAYSERİ	ERCIYES UNIV	29	4	14%	29	6	21%	32	9	28%
ANTALYA	AKDENİZ UNIV	34	6	18%	34	5	15%	30	5	17%
SAMSUN	19 MAYIS UNIV	29	4	14%	29	6	21%	30	10	33%
ESKİSEHİR	OSMANGAZI UN	39	0	0%	40	4	10%	50	27	54%
KONYA	SELÇUK UNIV	15	0	0%	15	3	20%	15	4	27%
ERZURUM	ATATÜRK UNIV	24	8	33%	24	5	21%	25	4	16%
TRABZON	KARADENİZ T.UNIV	37	0	0%	38	5	13%	39	4	10%
TURKEY	TOTAL	914	91	10%	943	145	15%	975	243	25%

HEART VALVE MARKET ANALYSIS / TURKEY
PRODUCT : ATS

CITY	HOSPITAL	#IN 94	# ATS	BY %	#IN 95	# ATS	BY %	96	ATS	BY %
ANKARA	TYIH	368	46	13%	347	31	9%	300	0	0%
	A.UNIVERSITY	127	0	0%	125	0	0%	100	0	0%
	GATA	80	15	19%	96	37	39%	90	50	56%
	ORGAN NAKLI	45	0	0%	42	0	0%	50	0	0%
	HACETTEPE	265	0	0%	220	0	0%	200	0	0%
	GAZI UNIVERSITY	81	0	0%	72	0	0%	50	0	0%
	BAYINDIR	46	8	17%	75	15	20%	100	0	0%
	SSK	10	0	0%	24	0	0%	50	0	0%
	GUVEN	0	0		122	14	11%	150	0	0%
	YASAM	0	0		0	0		50	40	80%
ISTANBUL	KOSUYOLU	214	36	17%	205	43	21%	200	40	20%
	GOGUS CERRAHISI	245	0	0%	189	0	0%	180	0	0%
	HASEKI&FLO	170	19	11%	146	22	15%	120	0	0%
	CAPA UNIVERSITY	47	0	0%	50	0	0%	70	0	0%
	CERRAHPASA	40	0	0%	37	0	0%	50	0	0%
	GATA	17	0	0%	16	0	0%	30	0	0%
	INT'L HOSP.	27	7	26%	28	0	0%	50	0	0%
IZMIR	EGE UNIV	112	23	21%	115	0	0%	110	0	0%
	9 EYLUL UNIV.	20	0	0%	48	0	0%	60	0	0%
	DEVLET	32	0	0	56	0	0%	70	0	0%
ADANA	CUKUROVA UNIV	15	0	0%	30	0	0%	30	0	0%
	SEYHAN	0	0		0	0		40	0	0%
KAYSERİ	ERCIYES UNIV	0	0		32	19	59%	50	40	80%
ANTALYA	AKDENİZ UNIV	12	0	0%	25	0	0%	40	0	0%
SAMSUN	19 MAYIS UNIV	36	0	0%	40	0	0%	40	0	0%
ESKİSEHİR	OSMANGAZI UN	25	0	0%	29	0	0%	30	0	0%
KONYA	SELÇUK UNIV	39	0	0%	39	0	0%	40	0	0%
ERZURUM	ATATÜRK UNIV	55	15	27%	57	21	37%	60	0	0%
TRABZON	KARADENİZ T.UNIV	0	0		0	0		10	0	0%
TURKEY	TOTAL	2128	169	8%	2265	202	9%	2420	170	7%

OXYGENATOR MARKET ANALYSIS / TURKEY
PRODUCT : TERUMO

CITY	HOSPITAL	#IN 94	#	BY %	#IN 95	#	BY %	96		BY %
		TERUMO			TERUMO			TERUMO		
ANKARA	TYIH	1482	893	60%	1515	1264	83%	1500	500	33%
	A.UNIVERSITY	318	0	0%	330	0	0%	320	0	0%
	GATA	601	341	57%	634	453	71%	650	0	0%
	ORGAN NAKLI	362	0	0%	381	0	0%	370	0	0%
	HACETTEPE	977	0	0%	920	0	0%	950	0	0%
	GAZI UNIVERSITY	214	95	44%	211	175	83%	250	0	0%
	BAYINDIR	463	300	65%	593	314	53%	600	100	17%
	SSK	46		0%	124	0	0%	100	0	0%
	GUVEN	0			469	345	74%	800	300	38%
	YASAM	0			0	0		200	200	100%
ISTANBUL	KOSUYOLU	953	453	48%	920	352	38%	900	0	0%
	GOGUS CERRAHISI	1245	0	0%	1182	54	5%	1200	0	0%
	HASEKI&FLO	956	386	40%	860	37	4%	900	200	22%
	CAPA UNIVERSITY	325	0	0%	286	0	0%	300	0	0%
	CERRAHPASA	99	0	0%	120	0	0%	150	0	0%
	GATA	126	0	0%	158	0	0%	130	0	0%
	INT'L HOSP.	312	0	0%	425	0	0%	450	0	0%
	IZMIR	EGE UNIV	658	423	64%	624	368	59%	600	0
9 EYLUL UNIV.		161	0	0%	185	69	37%	200	0	0%
DEVLET		234	0	0	199	0	0%	200	0	0%
ADANA	CUKUROVA UNIV	79	0	0%	96	0	0%	100	0	0%
	SEYHAN	0	0		0	0		100	0	0%
KAYSERİ	ERCİYES UNIV	0	0		81	70	86%	150	100	67%
ANTALYA	AKDENİZ UNIV	51	27	53%	86	0	0%	100	0	0%
SAMSUN	19 MAYIS UNIV	97	12	12%	116	0	0%	120	0	0%
ESKİSEHIR	OSMANGAZI UN	88	0	0%	91	12	13%	100	0	0%
KONYA	SELÇUK UNIV	69	0	0%	89	0	0%	100	0	0%
ERZURUM	ATATURK UNIV	92	37	40%	100	42	42%	100	0	0%
TRABZON	KARADENİZ T.UNIV	0	0		0	0		20	0	0%
TURKEY	TOTAL	10008	2967	30%	10795	3555	33%	11660	1400	12%

1994					
TOTAL SALES :		\$ 7,000,000			
Gross Profit Margin :		30%			
PRODUCT	MARKET SIZE	UNIT SALES	MARKET SHARE	PERCENT OF SALES	PERCENT OF G.PROFIT
Oxygenator	10,008 pcs.	2,967 pcs.	30%	17%	17%
Pacemaker	914 pcs.	91 pcs.	10%	16%	25%
PTCA	4,239 pcs.	1,059 pcs.	25%	20%	24%
Heart Valves	2,128 pcs.	169 pcs.	8%	7%	5%

1995					
TOTAL SALES :		\$ 7,150,000			
Gross Profit Margin :		27%			
PRODUCT	MARKET SIZE	UNIT SALES	MARKET SHARE	PERCENT OF SALES	PERCENT OF G.PROFIT
Oxygenator	10,795 pcs.	3,555 pcs.	33%	18%	13%
Pacemaker	943 pcs.	145 pcs.	15%	22%	34%
PTCA	4,822 pcs.	1,269 pcs.	26%	22%	26%
Heart Valves	2,265 pcs.	202 pcs.	9%	8%	5%

1996					
TOTAL SALES :		\$ 6,100,000			
Gross Profit Margin :		33%			
PRODUCT	MARKET SIZE	UNIT SALES	MARKET SHARE	PERCENT OF SALES	PERCENT OF G.PROFIT
Oxygenator	11,660 pcs.	1,400 pcs.	12%	8%	5%
Pacemaker	975 pcs.	243 pcs.	25%	43%	52%
PTCA	5,465 pcs.	1,312 pcs.	24%	26%	25%
Heart Valves	2,420 pcs.	170 pcs.	7%	8%	4%

HOSPITALS IN TURKEY

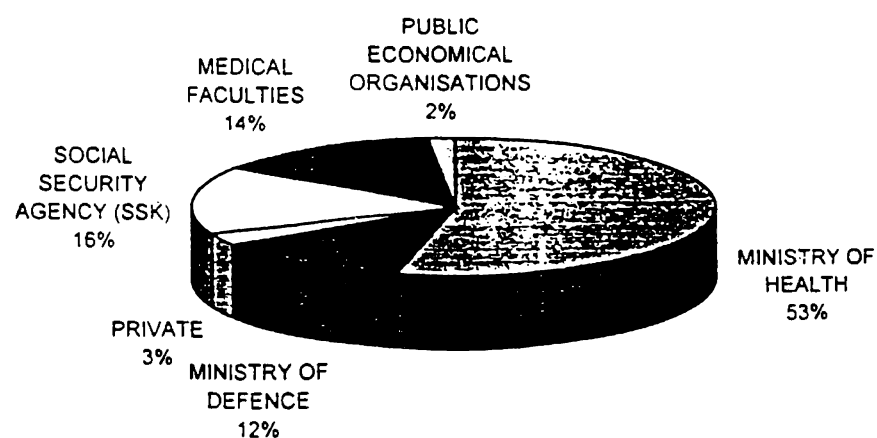
Year	Number of Hosp.	Patient Bed Num	Population/bed
1923	86	6.437	1.920
1925	167	9.561	1.360
1930	182	11.398	1.260
1935	176	13.038	1.240
1940	198	14.383	1.240
1945	197	16.133	1.160
1950	301	18.837	1.100
1955	426	34.526	690
1960	566	45.807	600
1965	626	55.451	560
1970	746	71.876	490
1975	798	81.264	493
1985	827	99.117	451
1990	722	103.918	495
1991	736	107.152	481
1992	756	111.135	475
1993	777	113.010	479
1994	812	116.061	479

Population/bed



HOSPITAL BREAKDOWN BY THE HEALTH CARE AGENCY

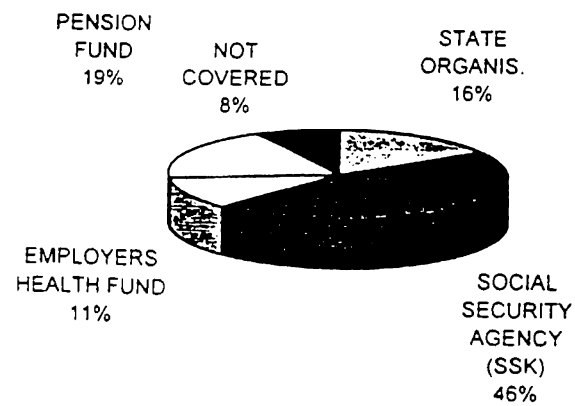
NAME OF THE INSTITUTION	NUMBER OF HOSPITALS	PATIENT	BEDS
		NUMBER	PERCENTAGE
MINISTRY OF HEALTH	549	68.258	51,7
MINISTRY OF DEFENCE	42	15.900	12,0
SOCIAL SECURITY AGENCY (SSK)	91	20.129	15,2
PUBLIC ECONOMICAL ORGANISATIONS	15	2.146	1,6
OTHER MINISTRIES	3	780	0,6
MEDICAL FACULTIES	24	17.749	13,4
MUNICIPALITIES	5	1.160	0,9
PUBLIC ASSOCIATIONS	10	621	0,5
FOREIGNERS	8	670	0,5
MINORITIES	5	934	0,7
PRIVATE	102	3.614	2,7
TOTAL	854	131.961	100,0



PATIENTS BY HEALTH CARE COVERAGE

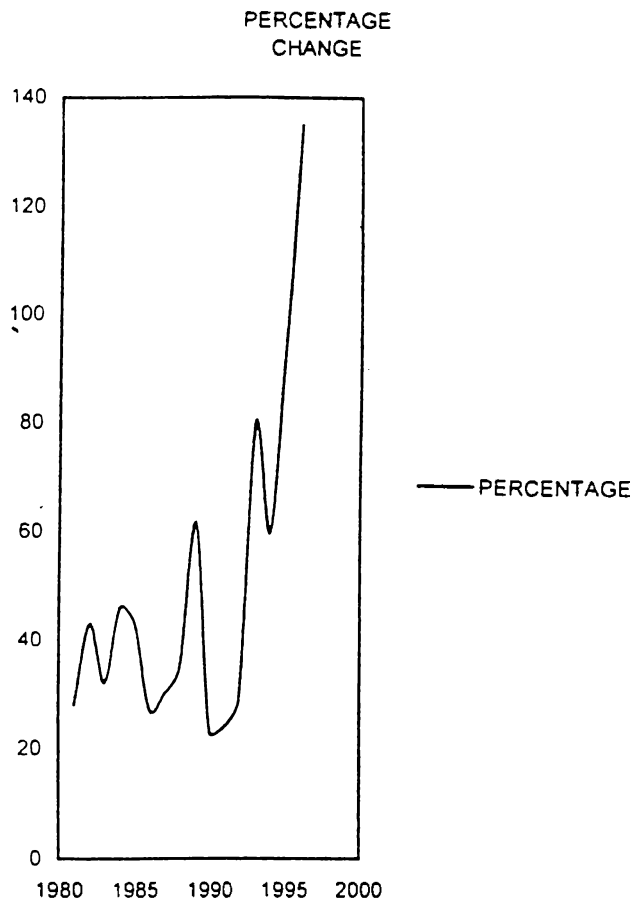
INSTITUTION	PERCENTAGE
STATE ORGANISATION	16
SOCIAL SECURITY AGENCY (SSK)	46
EMPLOYER'S HEALTH FUND	11
PENSION FUND	19
NOT COVERED	8

PERCENTAGE

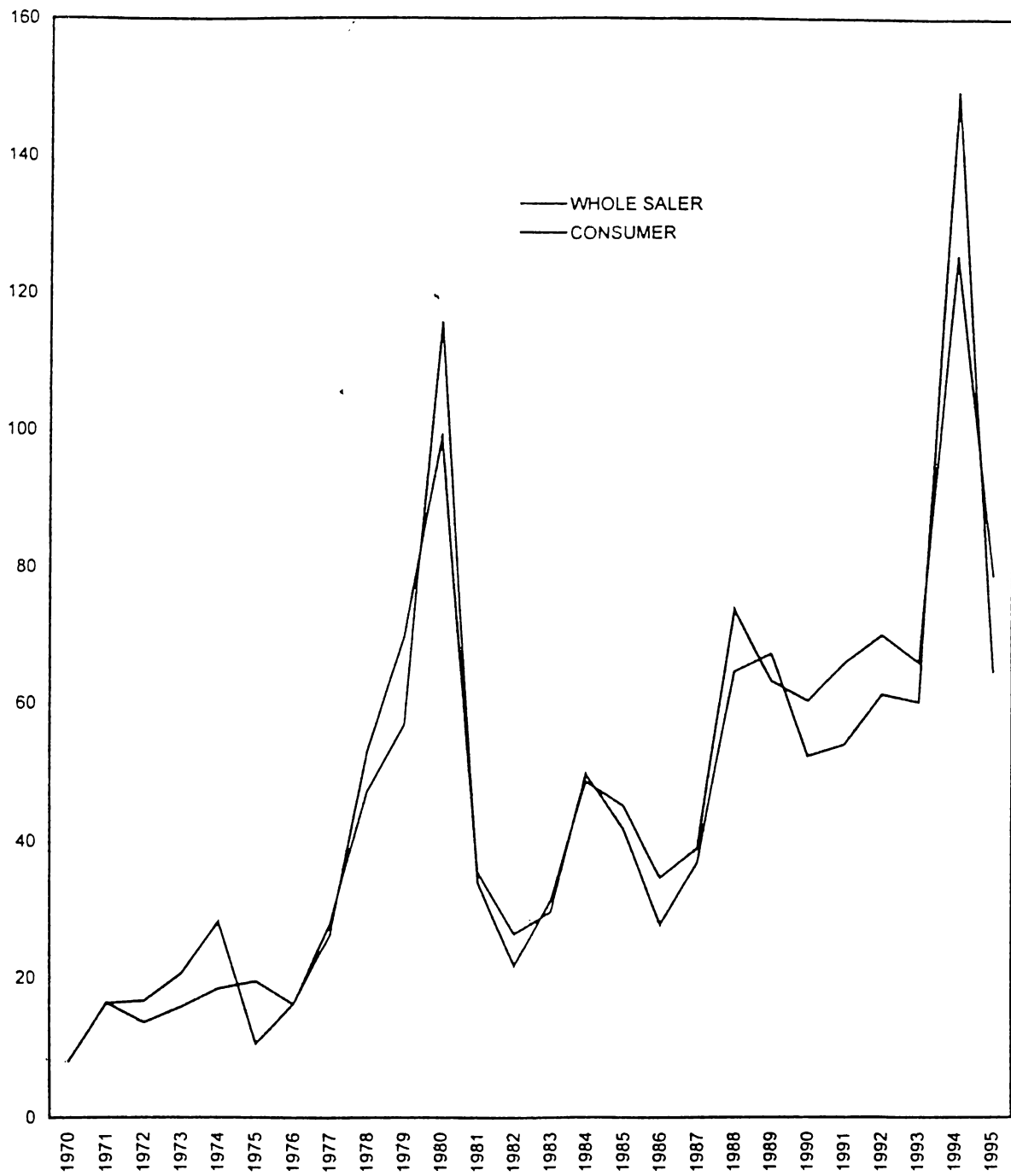


CHANGE IN DOLLAR EXCHANGE RATES

YEAR	PERCENTAGE CHANGE
1981	28
1982	43
1983	32
1984	46
1985	43
1986	27
1987	30
1988	35
1989	62
1990	23
1991	24
1992	29
1993	80
1994	60
1995	95
1996	135



INFLATION IN TURKEY



INFLATION FIGURES

YEAR	WHOLE SALER PRICE	CONSUMER PRICE
1970	8.1	8.13
1971	16.45	16.5
1972	16.75	13.68
1973	20.75	15.96
1974	28.4	18.63
1975	10.75	19.77
1976	16.45	16.39
1977	26.3	27.95
1978	53.1	47.21
1979	69.5	56.81
1980	98.75	115.6
1981	35.45	33.91
1982	26.53	21.91
1983	29.73	31.39
1984	49.53	48.4
1985	41.63	44.95
1986	27.93	34.62
1987	36.77	38.85
1988	64.55	73.7
1989	67.3	63.27
1990	52.25	60.3
1991	54	66
1992	61.4	70.1
1993	60.3	66.1
1994	149.6	125.5
1995	64.9	78.9

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The research and analysis for the above thesis was completed September 1996 and presented to Biotek Medikal for their strategic consideration.

EPILOGUE:

Biotek Medikal tried to implement the last strategy suggested in the thesis (see pp, 45). In the CRD field the sub-dealer sister companies have been established, and in the CVS field Biotek was managing itself with its core office staff. However, the bank loans and accompanying interest payment became a threatening burden on Biotek Medikal after the national economic crisis of 1994. The bank recalled its loans and interest payments putting Biotek in a financially precarious position.

The strategy outlined in the thesis seemed to be working well, until Biotek fell into deeper financial difficulties while trying to cope with the payment of the loans and interests. Biotek was trying desperately to obtain additional credit from other, more understanding, banks.

The profit margin, which had proven to be quiet reasonable for the organization, was not sufficient to save Biotek in its particular, negative financial situation. Then when the manufacturing companies recognized Biotek's dire financial situation they started to switch to "credit hold" position, which meant they stopped any further shipments until a certain amount of money had been transferred.

These conditions were compounded when the income tax obligations which followed the 1994 crisis finally hit Biotek. The combined result was to totally weaken Biotek's overall credibility in front of the government, banks and the related foreign companies.

The sister companies began to contact foreign companies themselves in order to survive in the field. They even became competitor to Biotek trying to get in touch with Biotek's own suppliers.

Soon Biotek had to announce a fake bankruptcy declaring that there was not enough resources to payoff their debts to government, foreign companies and even to their employees.

THE COMPETITORS THROUGH 1998:

Medistar has improved its out-of-Istanbul sales force (see strength & weakness analysis pp. 30) and invested well to utilize Biotek's struggle as an opportunity for itself. It may be considered to be more powerful than in 1996.

ETA once also thought of a fake bankruptcy because of nearly the identical reasons of Biotek, but then the shareholders decided to invest money in the business to survive.

Because of the same reasons **ETA** also has lost reliability and trust in the market. Although being the first in the medical disposable market and once having a big sales potential, now **ETA** is not considered as a big competitor.

Bicakcilar is well implemented the cost leadership of the Porter's generic strategies (thesis pp.29) and still runs in the separate avenue manufacturing its products and having a big price advantage over the competitors. Now, it is one of the biggest companies in the medical market.

Sister companies have found their own foreign supplier companies and have achieved their places in the market using their good reputations that came from the strong days of Biotek. As the market conditions and profit margins changed significantly in this sector, they are now trying to implement "focused differentiation" of Porter's generic strategies along with trying to minimize the total company expenses.